

SENATE BILL NO. 11—VETOED BY GOVERNOR.

A messenger from the Governor being announced, delivered the following executive message, which the Chair laid before the Senate:

To the Senate:

Senate bill No. 11, and entitled "An Act to provide for the organization of private corporations, traction companies, for the purpose of constructing, acquiring, maintaining and operating electric inter-urban roads between and connecting different cities, towns and villages, and into, through and over public streets of the different cities, towns and villages reached by same, and to furnish light and power to consumers; to provide the manner and method of organizing said corporations; to authorize said corporations to construct, acquire, operate and maintain such electric roads, own, use and occupy lands, easements, buildings and structures; to empower such corporations to condemn lands and other property for the use and purposes of such corporations, and to provide the method therefor; to issue stocks and bonds, and to borrow money and to mortgage its franchise and property," is herewith returned without my approval.

The purpose of the bill appears to be two-fold—one to provide for the construction of electric inter-urban roads between cities, towns and villages; the other to furnish light and power to consumers generally.

It is submitted that these subjects are substantially distinct—so much so as to be in direct contravention of Section 35, Article 3, of the Constitution.

Again, by the terms of the bill all corporations organized thereunder are made subject to the provisions of Chapter 14, Title XCIV, of the Revised Statutes, known as the stock and bond law. In Article 4584b of this chapter it is provided that in case of emergency, or conclusive proof shown by a railway company to the Railroad Commission that the public interests or the preservation of its property demand it, the Commission may permit bonds, together with the stock in the aggregate, to be executed to an amount not more than fifty per cent. over the value of such property.

It will be observed, however, that in the bill—Section 4—under consideration, authority is granted the Commission to allow the issuance of stock and bonds to the extent of not more than fifty per cent. over the actual cost of such road

upon a satisfactory showing that such stock and bonds can only be sold at a discount, the overplus of stock and bonds not to exceed the amount required to meet the cost of such road.

Section 6, Article 12, of the Constitution, inhibits the issue of stock or bonds by a corporation except for money paid, labor done, or property actually received, and declares all fictitious increase of stock or indebtedness to be void.

In pursuance of this provision of the Constitution the stock and bond law was enacted, and it has since then been the settled policy of the State to limit the amount of all stock and bonds of a railway company to a reasonable value of its property, with the privilege of a further issuance under the contingency stated. Upon reflection it must be evident that the bill under consideration not only conflicts with the clause in the Constitution above quoted, but it is also a radical departure from the rule established by the stock and bond law—in that the market price of the stock and bonds and not the value of the property is made the measure of issuance.

Should this be allowed the inducement to depress the selling price of the stock and bonds, especially if the ownership be the same, will be great, indeed, and it cannot be doubted that the tempting opportunity would be turned to profitable account by those interested.

The fifth section of the bill presents another most serious objection—in that it authorizes the purchase of street railways, together with all their property, real, personal or mixed, and including franchises and privileges; but it does not provide for the cancellation of the outstanding bonds, if any, of such railways when purchased so as to make their bonded indebtedness correspond to their reasonable value. In this day of large and easy capitalization it would be a small matter, if the bill should become a law, for a single corporation to acquire the ownership and control of the railways of several cities, and to supply them with light and power also. This being done, such cities would be almost helpless before so strong and influential a corporation. If that of water were added to the privileges granted, its power would be complete.

In the most propitious circumstances a correct administration of the affairs of a large and growing city is a difficult task, indeed, and experience has demonstrated the necessity for the exercise of the greatest possible care in building up influences that might become dominant.

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It is safe to say that there are hardly two cities in the State, if connected by an inter-urban railway, owning the street railways in them both and with authority to supply light and power, whose administration would not in time and to a great extent, if not altogether, be controlled by the owners of such properties.

Finally, it is worthy of note that the bill does not reserve to the Legislature the power to alter, reform or amend charters granted under it. In this it is different from the general incorporation law, and it is submitted, as a question worthy of consideration, if corporations thus organized would not be protected against future legislation except in so far as it may be authorized by the Constitution or by the terms of the act itself.

There is undoubtedly a necessity for legislation authorizing incorporation for the construction and operation of inter-urban railways and conferring all powers necessary and proper for the purpose, but it is also certain that such restrictions as to the issuance of stock and bonds should be imposed as are upon the line of policy that has been maintained since the enactment of the stock and bond law.

JOSEPH D. SAYERS,
Governor.